NARFE FACT SHEET

CURRENT THREATS FACING THE FEDERAL COMMUNITY

Threat	Proposal Summary	Consequences
The Chained CPI - Reduced COLAs for Federal Annuities	**Changing how inflation is calculated for purposes of determining cost-of-living adjustments (COLAs) to federal retirement annuities, Social Security benefits and military retirement by switching from the current CPI-W to the Chained CPI.** The change would result in lower COLAs. It was included in the President's FY14 budget and regularly appears in the annual Republican Study Committee (RSC) budget.	**$233 billion** – estimated savings over 10 years. **Lowers annuities by an estimated: 0.3 percent per year; 3 percent after 10 years; 6.2 percent after 20 years; and 9.4 percent after 30 years.** For the median CSRS annuity of $35,628 per year, this amounts to a loss of $6,975 after 10 years; $32,331 after 20 years; and $87,272 after 30 years. It would have the same percentage impact on Social Security benefits. The Chained CPI does not accurately reflect seniors' largest expense – medical care – and any attempt to change the COLA formula should do so.
Increase in Federal Employee Retirement Contributions	**Numerous proposals over the past several years have sought to increase federal retirement contributions for current employees by about 6 percent.** Most recently, it was included in the House-passed FY16 budget, H.Con.Res. 27. Assumed savings also included in the Senate-passed FY16 budget, S.Con.Res. 11. Has regularly appeared in previous budgets. The President included a 1.2% increase in his budgets prior to FY15, but has since dropped the proposal.	**Up to $127 billion** – estimated cost to federal workers (and savings to U.S. government) over 10 years. This is nothing more than an immediate pay cut for over two million federal workers.
Decrease rate of return on TSP G Fund	**Reducing the rate of return on the Thrift Savings Plan (TSP) G Fund from an average of 2.25 percent annually to 0.02 percent.** Originally appeared in the House-passed FY16 budget, H.Con.Res. 27. Also floated as a possible highway trust fund extension pay-for in the Senate in 2015.	**$32 billion** – the cost to federal employees and retirees, as well as military personnel and retirees (and savings to U.S. government) over 10 years. In reality, the estimated savings would not be realized. The Federal Retirement Thrift Investment Board would divest $21 billion of L Fund holdings from the G Fund, and would advise TSP participants to divest as well, drastically reducing G Fund holdings and any resulting savings.

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Changes to the Federal Employees Health Benefits Program (FEHBP)	**Increasing FEHBP premiums by tying the government's employer contribution to inflation for employees and retirees.** Included in the House-passed FY16 budget, H.Con.Res. 27. Assumed savings also included in the Senate-passed FY16 budget, S.Con.Res. 11.	**$38.9 billion –** estimated cost to federal workers (and savings to U.S. government) over 10 years. **$21.7 billion -** estimated cost to federal retirees (and savings to U.S. government) over 10 years. Increases the enrollee's share of premiums more and more over time, as inflation rises at a slower pace than medical costs. After 10 years, enrollees would be paying more than 50 percent of the premiums.
	Increases some federal retirees' share of their health insurance premiums by basing the government contribution on years of service. Included in the House-passed FY16 budget, H.Con.Res. 27. Assumed savings also included in the Senate-passed FY16 budget, S.Con.Res. 11.	**$1.2 billion -** estimated cost to federal retirees (and savings to U.S. government) over 10 years. Tying government's share of FEHBP premiums in retirement to years of service would likely result in higher premiums the shorter amount of time worked. No additional details were provided in the budget.
	Increases postal employees' share of their FEHBP premiums. Included in the House-passed FY16 budget, H.Con.Res. 27.	**Forces postal employees to pay more toward their FEHBP premiums.** Currently, postal unions bargain over FEHBP premiums, and postal employees pay a lower share of premiums than the rest of the federal workforce. This provision would provide them the same premiums as all other federal employees.
Federal Workforce Reduction	**A 10 percent reduction of the federal civilian workforce through attrition, whereby one employee would be hired for every three who leave government service.** Included in the House-passed FY16 budget, H.Con.Res. 27. Assumed savings also included in the Senate-passed FY16 budget, S.Con.Res. 11. Several pieces of stand-alone legislation to this end have been introduced over the years.	**$59 billion** over 10 years. **Arbitrarily cutting the workforce ignores needed positions and existing workloads.** Today's federal workforce is already stretched thin. In 2014, there were fewer federal employees working than in 1962, despite the U.S. population increasing 70 percent over that time. Would undoubtedly lead to the hiring of more expensive contractors, and any projected savings would not likely be realized.

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Threat	Proposal Summary	Consequences
Reduction of Injured Workers' Compensation Benefits	**Reducing FECA's basic compensation benefit by 25 percent (to 50 percent) at retirement age, and eliminating the supplemental for disabled workers with dependents.** The Federal Employees' Compensation Act (FECA) provides basic compensation to federal employees disabled by work-related injuries and illnesses. While compensation is modest, it will never be able to reverse the permanent damage from a debilitating injury or illness. Included in S. 2051 (114th Congress), postal reform legislation, applying to future injuries.	**Federal employees disabled by a work-caused injury or illness would not be afforded the level of income security they deserve and would have earned had they been able to continue working.** According to a GAO report (GAO-13-108), federal workers disabled as part of their service would receive up to 35 percent less in retirement age income than if they were not injured and retired after 30 years. Under current law, median FECA benefits for totally disabled workers are "on par with or less than" what they would have received after a full 30-year career. Additionally, S. 2051 would reduce, by 11 percent, the pre-retirement wage-loss compensation of injured workers with dependents, even as the GAO report shows that the median after-tax replacement rate of income is only 81.6 percent. Finally, GAO found that these policy changes would have a disproportionate impact on the lowest-wage employees and those who are injured early in their careers.
Cuts to Federal Employees Retirement System (FERS)	**Eliminating the FERS annuity supplement.** Included in the House-passed FY16 budget, H.Con.Res. 27. Also proposed in President Obama's budgets. **Eliminating the defined benefit portion of federal retirement.** House-passed FY16 budget, H.Con.Res. 27, "recognizes the need" for the federal government to offer a defined contribution retirement system only. Stand-alone legislation to eliminate the defined benefit portion of FERS was introduced in the Senate in the 113th Congress (S.1678).	**$2 billion** over 10 years. **Essentially eliminates FERS for future employees.** Makes federal employment less desirable for our nation's best and brightest, leaving only Social Security and the Thrift Savings Plan for FERS employees in retirement.
High-Three to High-Five	**Reducing retirement benefits by basing annuity on federal employees' highest five years of salary, as opposed to the current three years.**	**3.1 billion** – the cost to federal workers (and savings to U.S. Government) over 10 years. **Will significantly reduce a federal retiree's monthly income.** Depending upon whether the retiree is in the older Civil Service Retirement System (CSRS) or the newer Federal Employees Retirement System (FERS), this could amount to cuts of \$2,000 - \$7,000 over the next five years. Breaks a promise made to these employees when they were hired.

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